

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2002	PL Base Adjustment Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	PL Base Adjustment Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Exec. Budget Fiscal 04-05
FTE	39.00	0.00	0.00	39.00	0.00	0.00	39.00	39.00
Personal Services	2,002,952	194,730	0	2,197,682	193,056	0	2,196,008	4,393,690
Operating Expenses	543,014	46,716	0	589,730	(66,981)	0	476,033	1,065,763
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$2,545,966	\$241,446	\$0	\$2,787,412	\$126,075	\$0	\$2,672,041	\$5,459,453
State/Other Special	2,533,459	240,171	0	2,773,630	124,948	0	2,658,407	5,432,037
Federal Special	12,507	1,275	0	13,782	1,127	0	13,634	27,416
Total Funds	\$2,545,966	\$241,446	\$0	\$2,787,412	\$126,075	\$0	\$2,672,041	\$5,459,453

Agency Description

The Department of Public Service Regulation (PSR) regulates the public utility and transportation industries. Five commissioners, elected from districts throughout Montana, oversee this program.

Agency Discussion

Public Service Regulation Major Budget Highlights	
○	Increase of 7.2 percent requested for 2005 biennium over the base budget
Major LFD Issues	
○	Restrict/reduce request for funds to hire consultants

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Public Service Regulation Prog							
Program Funding	Base Fiscal 2002	% of Base Fiscal 2002	Budget Fiscal 2004	% of Budget Fiscal 2004	Budget Fiscal 2005	% of Budget Fiscal 2005	
02281 Public Service Commission	\$ 2,521,520	99.0%	\$ 2,773,630	99.5%	\$ 2,658,407	99.5%	
02398 Universal Access Fund	11,939	0.5%	-	-	-	-	
03011 Natural Gas Safety Pgm	<u>12,507</u>	<u>0.5%</u>	<u>13,782</u>	<u>0.5%</u>	<u>13,634</u>	<u>0.5%</u>	
Grand Total	<u>\$ 2,545,966</u>	<u>100.0%</u>	<u>\$ 2,787,412</u>	<u>100.0%</u>	<u>\$ 2,672,041</u>	<u>100.0%</u>	

The Public Service Regulation Program is funded primarily by a fee that is levied quarterly on regulated companies. The amount raised by the fees must equal the amount appropriated to the commission by the legislature for a particular year. Fees are deposited directly into a state special revenue account (Section 69-1-402, MCA). Fees are based upon a percentage of the gross operating revenue from all activities regulated by the commission within the state for the calendar quarter of operation. Federal funds come from the U.S. Department of Transportation and support the Natural Gas Pipeline Safety Program.

Funding for the Universal Access Program was collected from a surcharge applied to all private corporations involved in the telecommunications industry in Montana. The authority to collect revenue for the Universal Access Program was limited by statute to the 1999 biennium. During the August 2002 Special Session, the legislature passed SB 26 which transferred 10 percent of the fund balance of the Montana Universal Access Program account, on the effective date of the bill, to the general fund and 90 percent to the Department of Public Health and Human Services to provide social services.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2004	New Proposals Fiscal 2004	Total Exec. Budget Fiscal 2004	Present Law Fiscal 2005	New Proposals Fiscal 2005	Total Exec. Budget Fiscal 2005	Total Biennium Fiscal 02-03	Total Exec. Budget Fiscal 04-05
FTE	39.00	0.00	39.00	39.00	0.00	39.00	39.00	39.00
Personal Services	2,197,682	0	2,197,682	2,196,008	0	2,196,008	4,156,868	4,393,690
Operating Expenses	589,730	0	589,730	476,033	0	476,033	1,785,159	1,065,763
Equipment	0	0	0	0	0	0	0	0
Total Costs	\$2,787,412	\$0	\$2,787,412	\$2,672,041	\$0	\$2,672,041	\$5,942,027	\$5,459,453
State/Other Special	2,773,630	0	2,773,630	2,658,407	0	2,658,407	5,915,327	5,432,037
Federal Special	13,782	0	13,782	13,634	0	13,634	26,700	27,416
Total Funds	\$2,787,412	\$0	\$2,787,412	\$2,672,041	\$0	\$2,672,041	\$5,942,027	\$5,459,453

Present Law Adjustments										
-----Fiscal 2004-----						-----Fiscal 2005-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					267,295					265,599
Vacancy Savings					(72,565)					(72,543)
Inflation/Deflation					631					1,952
Fixed Costs					12,904					(1,786)
Total Statewide Present Law Adjustments					\$208,265	\$193,222				
DP 1 - Consultants	0.00	0	76,454	0	76,454	0.00	0	(23,546)	0	(23,546)
DP 2 - Rent Increase/Computer Replacement	0.00	0	(31,416)	82	(31,334)	0.00	0	(31,796)	134	(31,662)
DP 3 - Universal Access Program	0.00	0	(11,939)	0	(11,939)	0.00	0	(11,939)	0	(11,939)
Total Other Present Law Adjustments										
	0.00	\$0	\$33,099	\$82	\$33,181	0.00	\$0	(\$67,281)	\$134	(\$67,147)
Grand Total All Present Law Adjustments					\$241,446	\$126,075				

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Consultants - The Public Service Commission requests state special revenue funds for the 2005 biennium, which will be used to hire consultants. The amount requested is the same amount approved by the 2001 legislature. These funds will be used if PSC staff are unable to handle the additional workload or for special projects.

**LFD
ISSUE**

A biennial appropriation of \$100,000 has been appropriated each biennium since 1996 to hire consultants. An average of less than \$8,000 has been spent each year since that time. Statute allows agencies to carry forward 30 percent of reverted funds. It appears that this appropriation is excessive for its intended purpose and has allowed the PSR to routinely use carry-forward funds from these reversions to supplement personal services and operating expenditures. In fiscal 2001, \$56,888 in carry-forward funds was used for personal services costs.

The legislature may want to lower the biennial appropriation to \$50,000 and restrict the appropriation. The restricted appropriation would prevent the funds from being spent for uses other than consultants during the biennia. However, if funds are reverted, the 30 percent carry-forward funds would not be restricted but would be allowed to be spent during the following two years for any purpose that is consistent with the goals and objectives of the agency.

DP 2 - Rent Increase/Computer Replacement - The executive requests state special revenue funds for an increase in the rent contract negotiated by the Department of Administration of \$8,119 in fiscal 2004 and \$13,195 in fiscal 2005. This decision package includes a reduction of the base budget for minor equipment by approximately \$40,000, as only four computers will be replaced in fiscal 2004.

DP 3 - Universal Access Program - During the August 2002 Special Session, the legislature passed SB 26 which transferred 10 percent of the fund balance of the Montana Universal Access account on the effective date of the bill to the general fund and 90 percent to the Department of Public Health and Human Services to provide social services. This decision package removes the expenditures in the base year from the budget.

**LFD
COMMENT**

The Montana Universal Access Program was funded by a temporary surcharge based on the retail revenue for all intrastate telecommunications services in the state. The surcharge was confined to the 1999 biennium and resulted in revenue of approximately \$600,000. Disbursements for the purpose of the program totaled \$66,000 from fiscal years 1998 through 2002. Legislation passed in the August 2002 Special Session disbursed the remaining fund balance of approximately \$657,000.